



Senate

General Assembly

File No. 364

February Session, 2002

Substitute Senate Bill No. 40

Senate, April 8, 2002

The Committee on Education reported through SEN. GAFFEY of the 13th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE BOARD OF EDUCATION AND SERVICES FOR THE BLIND.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 10-303 of the general statutes, as
2 amended by section 35 of public act 01-9 of the June special session, is
3 repealed and the following is substituted in lieu thereof (*Effective July*
4 *1, 2002*):

5 (a) (1) The authority in charge of any building or property owned,
6 operated or leased by the state, [or any municipality therein] except a
7 vocational-technical school, shall grant to the Board of Education and
8 Services for the Blind a permit to operate in such building or on such
9 property a food service facility, a vending machine or a stand for the
10 vending of newspapers, periodicals, confections, tobacco products,
11 food and such other articles as such authority approves when, in the
12 opinion of such authority, such facility, machine or stand is desirable
13 in such location. Any person operating such a stand in any such

14 location on October 1, 1945, shall be permitted to continue such
 15 operation, but upon such person's ceasing such operation such
 16 authority shall grant a permit for continued operation to the Board of
 17 Education and Services for the Blind. Said board may establish a
 18 training facility at any such location.

19 (2) If the authority in charge of any building or property owned,
 20 operated or leased by any municipality or any vocational-technical
 21 school granted to the Board of Education and Services for the Blind a
 22 permit to operate in such building or on such property a food service
 23 facility, a vending machine or a stand for the vending of newspapers,
 24 periodicals, confections, tobacco products, food and such other articles
 25 as such authority approves and such permit is valid on June 30, 2002,
 26 the authority in charge shall continue to allow such operation under
 27 such permit until contractual agreements in effect on June 30, 2002,
 28 between the Board of Education and Services for the Blind and its
 29 vending suppliers for such building or property or vocational-
 30 technical school expire or are otherwise terminated.

31 (3) Any vendor operating in any building or on property owned,
 32 operated or leased by any municipality or in a building or on a campus
 33 of any vocational-technical school shall pay the Board of Education
 34 and Services for the Blind a one hundred dollar fee on or before
 35 January 1, 2003, and annually thereafter, for each vending machine or
 36 a stand for the vending of newspapers, periodicals, confections,
 37 tobacco products, food and such other articles located in any such
 38 building or on such property or in a building or on a campus of any
 39 such vocational-technical school.

This act shall take effect as follows:	
Section 1	July 1, 2002

ED *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Account-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
Sales and Service – Business Enterprise Program Account	Board of Education and Services for the Blind	-	See Below	See Below

A restricted non-lapsing account

Municipal Impact:

Effect	Municipalities	Current FY \$	FY 03 \$	FY 04 \$
See Below	Various	-	See Below	See Below

Explanation

This bill removes a current statutory mandate that requires municipalities to exclusively grant a vending permit to the Board of Education and Services of the Blind (BESB). Those municipalities (and vocational-technical schools) that have permits in effect as of June 30, 2002 shall continue to allow such operation until the contract between BESB and its vendor is no longer in effect. This bill also establishes a \$100 annual fee per vending machine to be paid by any vendor that operates in a municipally owned, operated or leased building or in a vocational-technical school.

The information provided below explains and identifies the following: 1) background on the Business Enterprise Program (BEP) - BESB's vending program; 2) the BEP Account that supports the program; 3) the current policy on vending receipts; 4) the new \$100 vending machine fee as established in the bill; 5) a range of impacts

that may result from the bill; and 5) the potential municipal impact.

Business Enterprise Program - Background

The Business Enterprise Program (BEP) within the Board of Education and Services for the Blind (BESB) supports entrepreneurial opportunities for blind individuals by providing them a site to operate a shop/café/food service. In FY 01 there were 32 businesses (shops/café) that BESB clients operated (36 estimated in FY 02).

The Business Enterprise Program is supported by the Sales and Service - Business Enterprise Program account (a non-lapsing restricted account) that receives revenues from vending machine receipts in state and municipal (such as town hall, police, fire and public works) buildings. Funding from this account supports the start-up and renovation costs of the shops/café that the blind individuals operate, the purchase and repair of equipment, and the salaries and fringe benefits of the 7 BESB staff that support the program.

It should be noted that a Special Revenue Fund (Vending Operators Fringe Benefits) exists to receive vending receipts from federal buildings in the state that have vending machines. This Fund is used to support the fringe benefits of the BESB clients that operate the shops/café throughout the state. The balance of the fringe benefit costs, if any, are supported from the BEP account.

Sales and Services - Business Enterprise Account

As stated earlier the BEP account is a non-lapsing restricted account, where balances at the end of the fiscal year are carried forward into the next fiscal year. Any change in revenues into this account will not impact General Fund revenue. The following represents the activity from the BEP account in FY 01 and FY 02.

TABLE I

Business Enterprise Program Account	
Available in FY 01 from FY 00	\$1,524,559
Revenue FY 01	\$1,625,487
Less: FY 01 Expenditures	(\$1,042,791)
Continued from FY 01 into FY 02	\$2,107,255
Available in FY 02 from FY 01	\$2,107,255
Estimated Revenue FY 02	\$1,851,474
Less: FY 02 Estimated Expenditures	(\$1,795,000)
Anticipated to continue into FY 03	\$2,163,729
Current Policy FY 03 Planned Expenditures	\$2,410,000
Current Policy FY 04 Planned Expenditures	\$2,520,000

As referenced in Table I, \$2.1 million of the vending machine receipts deposited into the BEP account was unspent and continued from FY 01 into FY 02. Based on FY 02 estimated expenditures and revenues, \$2.16 million will be unspent and continued into FY 03. BESB anticipates to expand the programs funded under the BEP account in FY 03 and FY 04. BESB's planned expansion for the next two fiscal years would assume the use of the available funds as referenced in the above table. The FY 03 and FY 04 planned expenditures include an estimated expansion of \$600,000 - \$700,000 in the following areas: 4-5 new blind business enterprises each year; establishment of Leaders of Tomorrow Program - to train and equip blind adolescents to be leaders in their fields of choice; services to adults including low vision evaluations & equipment (supplement existing state funding); new teachers to develop specialized independent living skills and training blind and visually impaired children; and smoking prevention and outreach programs and publications.

Current Policy on Vending Receipts

BESB has an exclusive contract with Coca-Cola Bottling Company of

New England to operate (which includes the collection of receipts, stocking of machines and sub-contracting for snack vending machines) its vending machines. BESB has a negotiated commission rate of 35% (of the gross sales) of the vending machine receipts that they retain. The 35% commissions that BESB receives from state buildings and municipal buildings that participate (32 municipalities participated in FY 01) are retained in the BEP account. There are an estimated 600 vending machines in state buildings from which BESB receives commissions. As noted above, the federal building vending receipts are deposited in a Special Revenue Fund to support the blind operators' fringe benefits. Some school systems have been brought on-line with the vendor (Coca-Cola), and receive the 35% commission, but BESB's current policy is that the proceeds remain with the schools instead of the agency. In addition, BESB's current policy is to allow the vocational-technical schools to retain the vending receipts (at the same 35% commission).

The table below reflects both state and municipal vending receipts deposited into the BEP account for FY 01 actual and FY 02 estimated. FY 03 and FY 04 receipts are projected based on current policy (with the 35% commission) without passage of this bill. The municipal growth reflects a phase-in of new municipal building vending machines (non-schools) that the department anticipated to bring on-line with their vendor.

TABLE II

Sales & Service - Business Enterprise Account Vending Receipts - based on current policy				
	FY 01 Actual	FY 02 Estimated	FY 03 Projected	FY 04 Projected
State	\$1,513,309	\$1,588,974	\$1,668,423	\$1,751,844
Municipal	\$112,178	\$262,500	\$369,750	\$486,000
Total	\$1,625,487	\$1,851,474	\$2,038,173	\$2,237,844

New \$100 Vendor Fee

The bill requires any vendor operating in any building owned or

leased by a municipality (or on a vocational technical school campus) to annually pay BESB \$100 per vending machine. Although there are an estimated 1,000 schools (elementary, middle and high schools), 17 vocational-technical schools and 169 municipalities in Connecticut, the actual number of vending machines located within these facilities statewide is unknown. Therefore a range was used. Since BESB would have to identify every eligible vending machine and establish a mechanism for collection of the fee (on or before January 1, 2003 and annually thereafter), a delayed implementation was also assumed. For purposes of calculating the anticipated revenue from the \$100 fee, a range of 800 - 4,000 vending machines in municipal buildings (and vo-tech schools) was used in tables IV through VII below.

Range of Impact

To model the potential fiscal impact, three variables are used: (1) municipal (non-schools) building vending machines; (2) commission rates; and (3) the new annual \$100 vendor fee per municipal vending machine. The model estimates the change in revenue received by BESB's BEP account. A range was used for two of the variables (commission rates and number of vending machines attributed to the \$100 vendor fee requirement) to determine the fiscal impact. The third variable - municipal building sites - was held constant based upon the provisions of the proposed bill. Table III reflects what the revenue into the account would be at the various commission levels while holding the municipal sales constant at the FY 02 level (does not include the \$100 fee impact). Tables IV through VII include all three variables and their impact to the revenue into the account.

It is uncertain what the impact of this bill will be on any change in the negotiated commission rate. To model the impact a change in the rate will have, a range from a low of 15% to a high of 40% was used in the calculations below for state and municipal building vending machines. The 35% commission rate level reflects the current negotiated rate. As the bill restricts further municipal growth, FY 03 and FY 04 reflect municipal revenue at an FY 02 constant level (please

note that the various commission rates are taken off of the FY 02 estimated gross sales for municipal revenue). Table III reflects the above-mentioned municipal receipts at an FY 02 constant level and the anticipated state revenue, at the various commission levels. Current policy is reflected as what is projected for FY 03 and FY 04 without passage of this bill (which includes growth in the number of municipal vending machines and a 35% commission rate). Table III does not take into consideration the new \$100 fee (Table IV through VII include all impacts). All five tables below do not reflect any additional available funding from the previous fiscal year (carry forward), only the new revenue anticipated to be generated that fiscal year is reflected.

TABLE III

<i>Commission Scenario for State and Municipal Building Vending Machines</i>				
(Municipal gross sales held constant at FY 02 level per the bill's restriction on new municipal permits)				
Commission	FY 03	Difference from Current Policy	FY 04	Difference from Current Policy
40%	\$2,206,769	\$168,596	\$2,302,108	\$64,263
35%	\$1,930,923	(\$107,250)	\$2,014,344	(\$223,500)
25%	\$1,379,231	(\$658,942)	\$1,438,817	(\$799,027)
20%	\$1,103,385	(\$934,789)	\$1,151,054	(\$1,086,790)
15%	\$827,539	(\$1,210,635)	\$863,290	(\$1,374,554)

As reflected above, at the current commission level, estimated \$107,250 revenue would be foregone in FY 03 just due to the bill's restriction on no new municipal vending permits for BESB. BESB receives commissions from the gross sales, so although as a result of this bill there would be no new municipal vending machines in FY 03, a change in the commission rate would alter the municipal revenue into the BEP account. Please note that the bill specifies that those municipal granted permits in effect June 30, 2002, shall continue until the contract with BESB and its vending suppliers (in effect June 30, 2002) expire or is otherwise terminated.

Tables IV through VII below reflect the overall possible impact of the bill as a net change to the current policy projections and as total

estimated revenue into the BEP account. The impact includes: the level of sales from the municipal vending machines stays constant at the FY 02 level resulting in a projected loss in anticipated receipts from such resources for FY 03 and FY 04 (as reflected in Table III above); the \$100 fee per municipal/vo-tech school vending machine annually (using 4 different levels [from 4,000 – 800 of these machines]); and the range of impact that may result from a re-negotiated commission rate (40%, 25%, 20% and 15%).

TABLE IV

Maintain Current Municipal Vending Machines Plus Projected State Receipts and Assumes BESB collects \$100 for 4,000 municipal/vo-tech vending machines per year				
	Net Change		Total Revenue into BEP Account	
Commission Rate	FY 03	FY 04	FY 03	FY 04
40%	\$568,596	\$464,263	\$2,606,769	\$2,702,108
35%	\$292,750	\$176,500	\$2,330,923	\$2,414,344
25%	(\$258,942)	(\$399,027)	\$1,779,231	\$1,838,817
20%	(\$534,789)	(\$686,790)	\$1,503,385	\$1,551,054
15%	(\$810,635)	(\$974,554)	\$1,277,539	\$1,263,290

TABLE V

Maintain Current Municipal Vending Machines Plus Projected State Receipts and Assumes BESB collects \$100 for 2,500 municipal/vo-tech vending machines per year				
	Net Change		Total Revenue into BEP Account	
Commission Rate	FY 03	FY 04	FY 03	FY 04
40%	\$418,596	\$314,263	\$2,456,769	\$2,552,108
35%	\$142,750	\$26,500	\$2,180,923	\$2,264,344
25%	(\$408,942)	(\$549,027)	\$1,629,231	\$1,688,817
20%	(\$684,789)	(\$836,790)	\$1,353,385	\$1,401,054
15%	(\$960,635)	(\$1,124,554)	\$1,077,539	\$1,113,290

TABLE VI

Maintain Current Municipal Vending Machines Plus Projected State Receipts and Assumes BESB collects \$100 for 1,500 municipal/vo-tech vending machines per year				
	Net Change		Total Revenue into BEP Account	
Commission Rate	FY 03	FY 04	FY 03	FY 04
40%	\$318,596	\$214,263	\$2,356,769	\$2,452,108
35%	\$42,750	(\$73,500)	\$2,080,923	\$2,164,344
25%	(\$508,942)	(\$649,027)	\$1,529,231	\$1,588,817
20%	(\$784,789)	(\$936,790)	\$1,253,385	\$1,301,054
15%	(\$1,060,635)	(\$1,224,554)	\$977,539	\$1,013,290

TABLE VII

Maintain Current Municipal Vending Machines Plus Projected State Receipts and Assumes BESB collects \$100 for 800 municipal/vo-tech vending machines per year				
	Net Change		Total Revenue into BEP Account	
Commission Rate	FY 03	FY 04	FY 03	FY 04
40%	\$248,596	\$144,263	\$2,286,769	\$2,382,108
35%	(\$27,250)	(\$143,500)	\$2,010,923	\$2,094,344
25%	(\$578,942)	(\$719,027)	\$1,459,231	\$1,518,817
20%	(\$845,789)	(\$1,006,790)	\$1,183,385	\$1,231,054
15%	(\$1,130,635)	(\$1,294,554)	\$907,539	\$943,290

As reflected in the above scenarios, the potential net impact in FY 03 to BESB ranges from a net gain of \$568,596 to a net loss of \$1,130,635 to the anticipated revenue into the BEP account. It should be noted that as Table VII above reflects the most significant reduction in FY 03 and FY 04 total revenue into the BEP account, this revenue level in conjunction with the anticipated carry forward from FY 02 would still provide enough funding for the next two fiscal years at the FY 02 estimated expenditure level.

Also reflected in the above tables, at the current commission rate, with passage of this bill, the net impact in FY 03 would range from a net gain of \$292,750 to a net loss of \$27,250 to the anticipated revenue into the BEP account.

Municipal Impact

To the extent that current contractual agreements are maintained, municipalities (not including schools) from which BESB now retains vending commissions will continue to forego that revenue. This bill preserves the right of BESB to operate vending in municipalities that a permit has been established by June 30, 2002. Those municipalities that have not granted BESB a vending permit as of June 30, 2002 will not forego future revenue. As mentioned previously, schools that are part of the BESB vending program retain the revenue on their vending machines at the negotiated rate 35% commission rate. This bill removes municipal owned buildings from BESB's jurisdiction to

operate vending facilities, and as a result would remove the schools from future BESB contracted vending commission rate.

OLR Bill Analysis

sSB 40

AN ACT CONCERNING THE BOARD OF EDUCATION AND SERVICES FOR THE BLIND**SUMMARY:**

This bill eliminates a requirement for municipalities and vocational-technical (V-T) schools that want food or vending services in their buildings or on their property to give the Board of Education and Services for the Blind (BESB) a permit to run them. Contracts to provide these food or vending services in effect on June 30, 2002 are valid until they expire or are terminated. The bill requires a vendor operating a facility in a municipal or V-T school building or on the property to pay BESB an annual \$100 fee for each vending machine or stand it operates there, beginning January 1, 2003.

Current law requires the authority in charge of a building or property owned, operated, or leased by the state or any municipality to grant to BESB a permit to operate a food or vending facility if the authority wants such a facility in the building or on the property.

EFFECTIVE DATE: July 1, 2002

COMMITTEE ACTION

Education Committee

Joint Favorable Substitute

Yea 24 Nay 5